BEFORE THE IDAHO BOARD OF TAX APPEALS

JUPITER, LLC, Appellant, v. BANNOCK COUNTY, Respondent.	)	APPEAL NOS. 14-A-1101, 14-A-1102 AND 14-A-1103 FINAL DECISION AND ORDER

COMMERCIAL PROPERTY APPEALS

These appeals are taken from decisions of the Bannock County Board of Equalization denying protests of valuation for taxing purposes of properties described by Parcel Nos. RPPOC151500, RPPOC151700 and RPPOC151800. The appeals concern the 2014 tax year.

These matters came on for hearing October 29, 2014 in Pocatello, Idaho before Board Member David Kinghorn. Manager Gary Clark represented Appellant at hearing. Assessor Dave Packer represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

The issue on appeal concerns the market values of three (3) improved commercial parcels.

The decisions of the Bannock County Board of Equalization are affirmed.

FINDINGS OF FACT

Appeal No. 14-A-1101 - Parcel No. RPPOC151500 (Lot 5)

The assessed land value is $116,190, and the improvements' valuation is $753,819, totaling $870,009. Appellant contends the correct land value is $100,000, and the improvements' value is $675,000, totaling $775,000.

Appeal No. 14-A-1102 - Parcel No. RPPOC151700 (Lot 7)

The assessed land value is $112,500. Appellant contends the correct land value is $20,000. The value of the improvement's on this parcel is assessed on the Lot 5 parcel above.

Appeal No. 14-A-1103 - Parcel No. RPPOC151800 (Lot 8)

The assessed land value is $113,320, and the improvements' valuation is $207,372, totaling $320,692. Appellant contends the correct land value is $100,000, and the improvements' value is $200,000, totaling $300,000.

Together subjects encompass 1.37 acres of commercial space located on what is considered the main commercial artery of Pocatello, Idaho. Lots 5 and 7 are improved with a single-level office building constructed in 1993. Lot 8 has a single-level retail space built in 1974. These three (3) appeals were consolidated for hearing and decision purposes as both parties presented one (1) set of evidence for the group.

Appellant testified the current net operating income for the three (3) parcels was $89,202. Using a capitalization rate of 8.25%, Appellant determined a total market value of $1,081,248 for the combined subject parcels. It was explained the current lease on one (1) of the main buildings was set to expire, thus indicating the necessity of improving the structure for another use, which could be costly.

In support of the requested value, Appellant provided an independent fee appraisal report dated December 29, 2010. The appraisal considered all three (3) appraisal methods. Ultimately the appraisal disregarded the cost approach, as it was considered most reliable for property newer than the subjects.

The appraisal's sales comparison approach examined six (6) commercial sales which took place in 2007 and 2008. The sale properties were located in Idaho Falls and Pocatello. Sale prices ranged from $375,000 to $4,133,000. The sales comparison approach indicated a combined value for the subject properties of $1,590,000.

For the income approach, the appraisal used a direct capitalization method as it was determined to be the method most likely to be relied upon by a potential buyer. In this model, the appraisal estimated market rents and determined a 9.0% capitalization rate. After calculating income and expenses a value of $1,395,000 was concluded.

In reconciling the approaches, equal weight was given to the income and sales approaches to arrive at a total value of $1,495,000 for the subject parcels

Respondent noted the above fee appraisal's effective date of valuation was in December of 2010, which is not near the January 1, 2014 assessment date. Appellant countered the market, rents, and income have not changed since the earlier appraisal date.

Respondent reported Idaho Code requires all three (3) valuation approaches be used in assessing property. Respondent looked to each approach in its final conclusion. Two (2) detailed analyses were provided for the subject properties.

The first set of sales was provided to support the land value of Lots 5 and 7. Respondent offered information on four (4) commercial site sales: two (2) of which occurred during 2012, and one (1) in 2007, with the remaining sale taking place in February 2013. Sale prices ranged between $10 and $13 per square foot. Lots 5 and 7 are assessed at $8 per square foot.

Respondent also provided a cost approach for the improvements. Respondent calculated a base replacement cost of $1,272,520 for the 12,000 square foot structure and the asphalt paving. A depreciation factor of 50% was used, resulting in a total improvement value of

$636,260.

Next, Respondent employed the sales comparison approach to support the value of the shared building. Information was provided on two (2) 2012 improved commercial sales. Sale prices were $1,800,000 and $2,400,750. After removing the associated land values, the indicated price rates were $67 and $78 per square foot after removing land values. Subjects' assessed improvements' valuation was $660,000, or $55 per square foot.

For the income approach, Respondent estimated a potential gross income of $10 per square foot for the 12,000 square feet, and derived a potential gross income amount of $120,000. Respondent factored in 10% vacancy rate, 25% operating expenses, and 2% for replacement reserves. An 8.5% overall capitalization rate was applied, which resulted in a total value of $452,920 after the land value was removed.

In Respondent's final reconciliation, each value estimate for the improvements was weighted as follows:

Approach	Improvement Value	Weight	Weighted Value
Cost	$636,260	20%	$127,252
Sales Comparison	$660,000	40%	$264,000
Income	$452,920	40%	$181,168

Respondent determined a total improvement value of $572,420. Adding the land value of $365,904 resulted in a total market value of $938,234. Respondent noted the total of Lots 5 and 7 assessed values of $982,509, is higher than the value conclusion reached using the three (3) approaches.

Respondent provided another analysis for the remaining Lot 8 subject property. The land sales used to compare with this subject took place in 2007, 2012 and 2013. Sale prices ranged between $11 and $34 per square foot. Subject's assessed land value equates to $12 per square foot.

Respondent's cost approach for the improvements calculated a base replacement cost of $413,530 for the 4,160 square foot retail building and the asphalt paving. A depreciation factor of 55% was used. A total improvement value of $201,488 was determined.

Respondent provided three (3) improved retail sales for comparison with subject Lot 8. Two (2) sales took place in May 2013, with the remaining sale closing in March 2012. Sale prices were between $440,000 and $850,000, or $36 and $46 per square foot after removing land values. Lot 8's assessed improvements' value equates to $45 per square foot.

Respondent estimated potential gross income of $11 per square foot for the 4,160 square feet and derived a potential gross income amount of $45,760. Respondent used 15% vacancy rate, 10% operating expenses, and 2% reserves for replacement. A 9% overall capitalization rate was applied, which resulted in a total improvement value of $182,296.

Respondent used the same weighting as the prior reconciliation. A total value of $376,964 was determined. The total value reached in Respondent's analysis for the three (3) subject parcels land and improvements was $1,315,288, which is near the actual total assessed value of $1,303,201. Appellant concluded Respondent was $200,000 too high in its valuation.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires all taxable property be assessed at market value annually on January 1 of the relevant tax year. Market value is defined in Idaho Code § 63-201 as,

> "Market value" means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

There are three (3) generally accepted approaches to value: the cost approach, the sales comparison approach and the income approach. *Merris v. Ada County*, 100 Idaho 59, 63, 593 P.2d 394, 398 (1979). Both parties considered all three (3) approaches, however, reached different value conclusions.

In order to find market value in assessment, consideration must be given to the most applicable sales data. In this regard, Appellant provided an appraisal report from December 2010. Although, subjects are older income-producing properties, relying on an old appraisal would be improper without it being updated. On the other hand, Respondent provided sales which occurred since the older fee appraisal date which gives an indication the market has not been stagnant since 2010. Further, the fact Appellant collects the same rents as in 2010 is not necessarily determinative because consideration must be given to general market rents, not just the income of a single operator.

Respondent provided a substantial analyses and supporting sales to develop its value conclusions. Respondent's analyses further examined each of the components separately and took into consideration the age and amenities of the subject properties. Using all three (3) approaches to value, Respondent reached a total conclusion value of $1,315,288 for both land

and improvement's. Subjects' assessed values total $1,303,201. Appellant argued Respondent was $200,000 too high, however failed to provide proof the valuation was in error.

Ultimately, Respondent's appraisal was judged by the Board to present a superior valuation of subjects' individual market values when compared to the value case offered by Appellant. Pursuant to Idaho Code § 63-511, the burden is on Appellant to prove error in subjects' assessed values by a preponderance of the evidence. In these appeals, the burden of proof was not met. Respondent's valuations were reasonably supported and no error in the assessments was proven. Accordingly, the Board will affirm the decisions of the Bannock County Board of Equalization.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decisions of the Bannock County Board of Equalization concerning the three (3) subject parcels be, and the same hereby are, AFFIRMED.

DATED this 5th day of March, 2015.